

**BLUE LAKE TOWNSHIP  
FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**Blue Lake Township**  
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**March 31, 2008**

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# ***Zwick & Steinberger, P.L.L.C.***

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## **Independent Auditors' Report**

To the Township Board  
Blue Lake Township  
Muskegon County  
Twin Lake, Michigan 49457

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Blue Lake Township, County of Muskegon, State of Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Blue Lake Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the Township's legally separate component unit, Blue Lake Township Legal Defense Fund (refer to Footnote VIII). Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the Township's primary government unless the Township also issues financial statements for the financial reporting entity that includes the financial data for its component unit. The Township has not issued such reporting entity financial statements. We cannot determine the amounts of assets, liabilities, net assets, revenues and expenses that the accompanying statements should present for the omitted discretely-presented component unit in order to comply with accounting principles generally accepted in the United States of America. In addition, the assets, liabilities, fund balances, revenues and expenditures of the aggregate remaining fund information are understated by amounts which we cannot determine.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Blue Lake Township, County of Muskegon, State of Michigan, as of March 31, 2008, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of omitting the component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of Blue Lake Township, County of Muskegon State of Michigan, as of March 31, 2008, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, and each major fund of Blue Lake Township, County of Muskegon, State of Michigan as of March 31, 2008, and the respective changes in financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

## *Zwick & Steinberger, P.L.L.C.*

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by U. S generally accepted accounting principles. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blue Lake Township's basic financial statements. The combining and individual nonmajor fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Zwick & Steinberger, P.L.L.C.*

July 7, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

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As the management of Blue Lake Township, we offer readers of Blue Lake Township's financial statements this narrative overview and analysis of the financial activities of Blue Lake Township for the fiscal year ended March 31, 2008.

**The Financial Highlights**

When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. You can think of this relationship between revenues and expenses as the Township's operating results. You can think of the Township's net assets, as measured in the Statement of Net Assets, as one way to measure the Township's financial health, or financial position. Over time, increases or decreases in the Township's net assets, as measured in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. However, the Township's goal is to provide services that improve the quality of life for our residents, not to generate profits as businesses do. For this reason, you will need to consider many other non-financial factors in assessing the overall financial health of our Township.

The assets of Blue Lake Township exceeded its liabilities as of March 31, 2008 by the sum of \$ 1,126,583.53 (net assets). Of this amount, \$ 90,057.43 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Total net assets includes all infrastructure of the governmental funds.

Blue Lake Township's total net assets increased by the amount of \$ 267.80 for the fiscal year ended March 31, 2008. The excess of general purpose revenues over expenses reported in the Statement of Activities, in the amount of \$ 9,616.20 is offset by the reduction in net assets in the amount of \$ 9,348.40, which results in the net increase in net assets in the amount of \$ 267.80.

As of March 31, 2008, Blue Lake Township's governmental funds reported combined ending fund balances of \$ 766,850.78, a decrease in the amount of \$ 17,349.26 in comparison with the prior year.

**Blue Lake Township  
Management's Discussion and Analysis  
or the year ended March 31, 2008**

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**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Blue Lake Township's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of Blue Lake Township's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of Blue Lake Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of Blue Lake Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes, etc.)

Both of the government-wide financial statements distinguish functions of Blue Lake Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Blue Lake Township include: Legislative, General Government, Public Safety, Public Works, Health and Welfare, and Other. Blue Lake Township does not perform business-type activities.

The government-wide financial statements can be found on pages 15 - 20 of this report.

**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

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**Overview of the Financial Statements**

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been targeted for specific activities or objectives. Blue Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blue Lake Township are categorized as governmental funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Blue Lake Township maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Equipment Fund, the Fire Operations Fund, and the Property Tax Administration Fund (major funds). Data from the other governmental funds (nonmajor) is presented in a single, aggregated presentation. Individual fund data for these nonmajor governmental funds is provided in the form of combining statements later in this report.



**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

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**Overview of the Financial Statements**

Fund financial statements

**Governmental Funds**

The basic governmental fund financial statements can be found on pages 15 - 28 of this report. Blue Lake Township adopts an annual appropriated budget for all governmental funds. A budgetary comparison schedule has been provided for the general fund, as well as each major special revenue fund, to demonstrate compliance with the respective fund's budget. The budget amounts include both the original budget amounts as well as a final budget which includes amendments made to the budget during the fiscal year. Actual amounts are compared to the final budget amounts.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30 - 40 of this report.

**Combining Statements**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented for additional supplementary analysis. The combining statements can be found on pages 41 - 42 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Blue Lake Township, assets exceeded liabilities by the amount of \$ 1,126,583.53 as of March 31, 2008.

Infrastructure assets of the governmental activities are included within this report. The general capital assets (e.g., land, buildings, infrastructure, equipment) of the governmental activities of Blue Lake Township is stated in the amount of \$ 654,977.12, net of depreciation. This amount represents 58.14% of the net assets of Blue Lake Township as of March 31, 2008.

Blue Lake Township uses these capital assets to provide services to its residents and other citizens. Consequently, these assets are not available for future spending.

Depreciation expense for the fiscal year ended March 31, 2008 is in the amount of \$ 80,666.28.

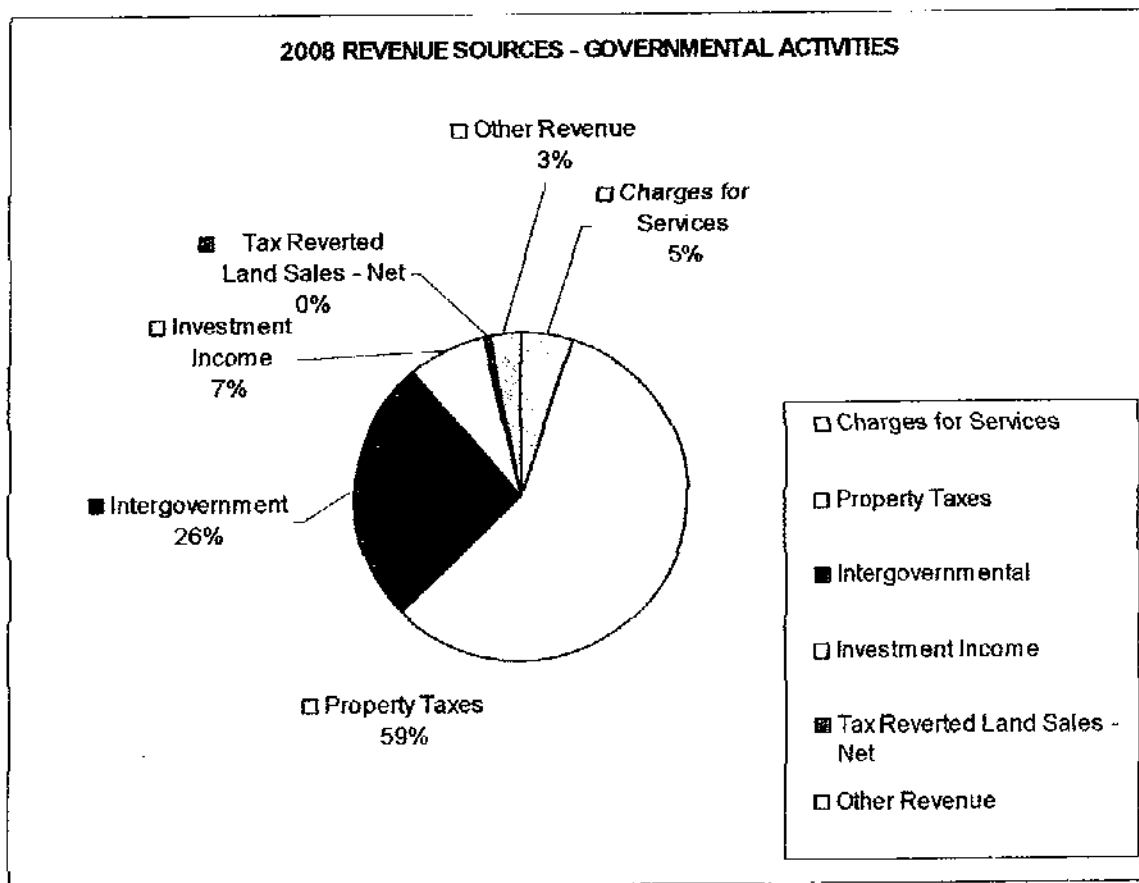
**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

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**Government-Wide Financial Analysis**

Governmental activities

Governmental activities increased Blue Lake Township's net assets by the amount of \$ 267.80. As identified in Statement of Activities (on page 15 of this report), and the chart below, Blue Lake Township's revenue sources - governmental activities show that property taxes is 59% of the Township's revenue, state revenue sharing (intergovernmental) is 26% of revenue, and the remaining 15% is divided among other sources, such as charges for services, rental of facilities, licenses, permits and fees, and earnings on investments.



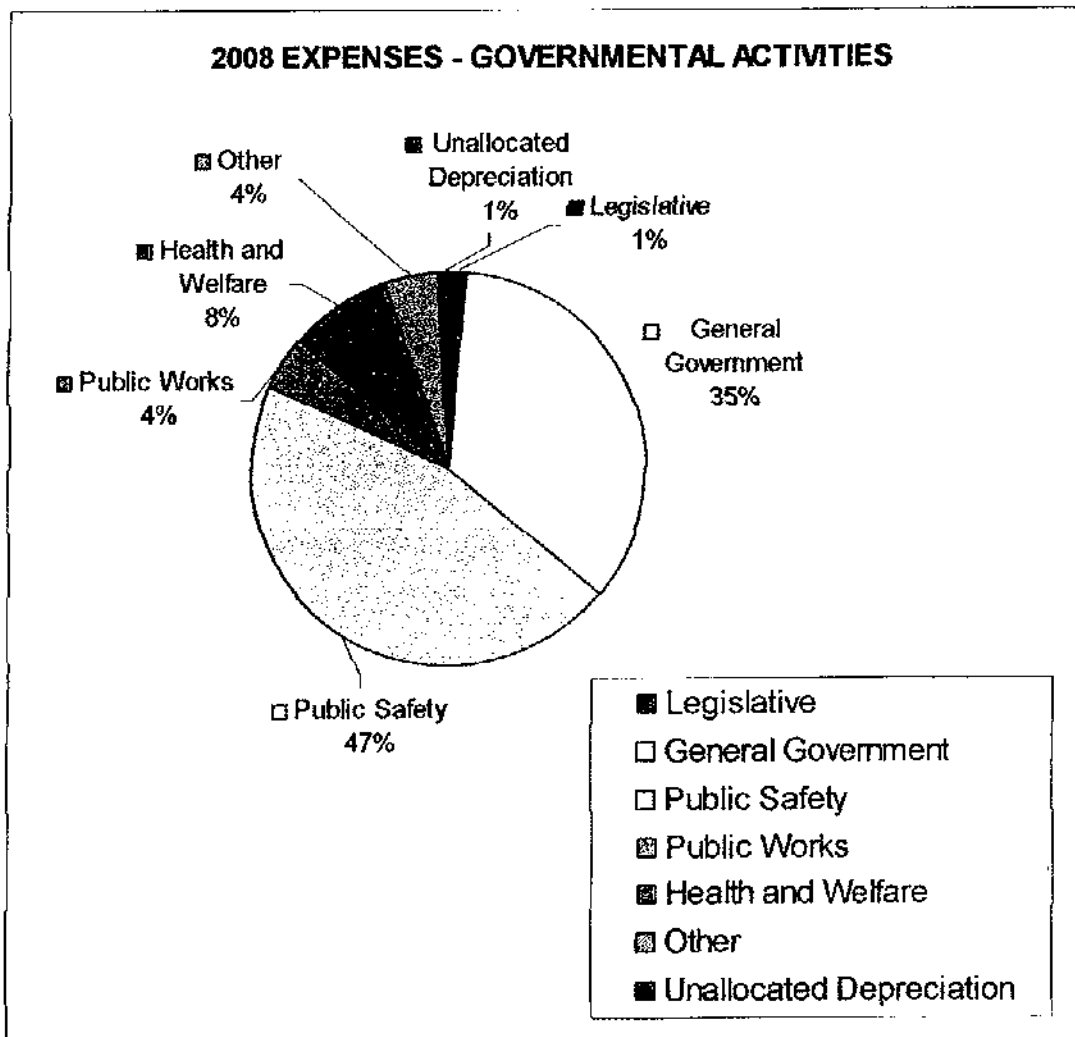
**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

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**Government-Wide Financial Analysis**

Governmental activities (continued)

As identified in the Statement of Activities (on page 15 of this report) and in the chart below, Blue Lake Township Expenses - Governmental Activities is presented for the year ended March 31, 2008. Total expenses amounted to \$ 528,179.27, before application of program revenues. The chart below shows the percentages of total expenses as follows: Legislative is 1%, General Government 35%, Public Safety 47%, Public Works 4%, Health and Welfare 8%, Other 4%, and Unallocated Depreciation 1%.



**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

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**Government-Wide Financial Analysis**

Governmental activities (continued)

The net effect of program revenues reduces significantly the cost of operating governmental activities. These program revenues are charges for services in the amount of \$ 27,169.78.

**Budgetary Highlights**

Differences between the original and final amended budget of the General Fund's revenues is briefly summarized as follows:

<u>Description</u>	<u>Original Budget</u>	<u>Increase</u>	<u>Decrease</u>	<u>Final Budget</u>
<b>General Fund</b>				
<b>Revenues</b>				
Taxes	\$ 64,324.00	\$ 3,863.00	\$ -	\$ 68,187.00
Tax Penalties	1,000.00	1,173.00		2,173.00
Blue Lake Residences	400.00	719.00		1,119.00
Licenses and Permits	36,400.00		13,330.00	23,070.00
Interest Income	18,000.00	1,000.00		19,000.00
Other Income	1,370.00	90.00		1,460.00
	<u>\$ 121,494.00</u>	<u>\$ 6,845.00</u>	<u>\$ 13,330.00</u>	<u>\$ 115,009.00</u>

The net effect of amendments to the General Fund revenues is a budget reduction in the amount of \$ 6,485.00.

**Blue Lake Township**  
**Management's Discussion and Analysis**  
**For the year ended March 31, 2008**

**Government-Wide Financial Analysis**

Governmental activities (continued)

**Budgetary Highlights**

Differences between the original and final amended budget of the General Fund's expenses is briefly summarized as follows:

<b>Description</b>	<b>Original Budget</b>	<b>Increase</b>	<b>Decrease</b>	<b>Final Budget</b>
<b>Expenses</b>				
<b>Legislative:</b>				
Trustee Salaries	5,200.00	1,600.00	-	6,800.00
	<u>5,200.00</u>	<u>1,600.00</u>	<u>-</u>	<u>6,800.00</u>
<b>General Government:</b>				
Deputy Clerk	2,200.00	1,200.00		3,400.00
Elections	1,945.00		1,875.00	70.00
Board of Review Salaries	1,890.00	360.00		2,250.00
CBA & ZBA Salaries	-	1,400.00		1,400.00
Payroll Taxes	9,652.00	148.00		9,800.00
Health Care	-	900.00		900.00
Travel	4,950.00	950.00		5,900.00
Legal Expense	30,000.00		5,000.00	25,000.00
CAC Legal Defense	8,000.00		8,000.00	-
Harris Legal Defense	-	10,700.00		10,700.00
Fire Department Investigation	-	2,622.00		2,622.00
Repairs and Maintenance	7,600.00		3,150.00	4,450.00
Supplies and Postage	8,050.00		985.00	7,065.00
Communications & Publishing	7,000.00		500.00	6,500.00
Education	11,000.00		5,000.00	6,000.00
Computer Service	4,000.00		1,000.00	3,000.00
Utilities	7,400.00	1,700.00		9,100.00
Equipment Lease Expense	2,100.00	100.00		2,200.00
Internet Service	2,000.00		1,500.00	500.00
	<u>107,787.00</u>	<u>20,080.00</u>	<u>27,010.00</u>	<u>100,857.00</u>

**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

**Government-Wide Financial Analysis**

Governmental activities (continued)

**Budgetary Highlights**

Description	Original Budget	Increase	Decrease	Final Budget
<b>Expenses</b>				
<b>Public Safety:</b>				
Planning Commission Expense	\$ 1,000.00	\$ -	\$ 200.00	\$ 800.00
Ordinance Enforcement Salary	5,040.00	1,060.00		6,100.00
	<u>6,040.00</u>	<u>1,060.00</u>	<u>200.00</u>	<u>6,900.00</u>
<b>Public Works:</b>				
Dust Control	12,000.00		5,600.00	6,400.00
Dangerous Buildings	5,000.00	8,100.00		13,100.00
Street Signs	500.00		200.00	300.00
	<u>17,500.00</u>	<u>8,100.00</u>	<u>5,800.00</u>	<u>19,800.00</u>
<b>Health and Welfare:</b>				
Building Inspector Salary	14,400.00		3,400.00	11,000.00
Building Inspector Travel	1,900.00		700.00	1,200.00
Zoning Administrator Travel	1,800.00		1,200.00	600.00
Inspectors	7,520.00		1,120.00	6,400.00
Inspectors Travel	1,000.00		100.00	900.00
	<u>26,620.00</u>	<u>-</u>	<u>6,520.00</u>	<u>20,100.00</u>
<b>Other:</b>				
Land Split Costs	400.00		280.00	120.00
Pride Week	9,000.00		1,600.00	7,400.00
Bank Service Charges	-	900.00		900.00
	<u>9,400.00</u>	<u>900.00</u>	<u>1,880.00</u>	<u>8,420.00</u>
<b>Capital Outlay:</b>				
Capital Outlay	2,000.00		1,900.00	100.00
	<u>2,000.00</u>	<u>-</u>	<u>1,900.00</u>	<u>100.00</u>
<b>Transfers To Other Funds and Other Uses:</b>				
Transfers To Other Funds:	12,000.00		10,000.00	2,000.00
Tax Reverted Land Sales	100.00		50.00	50.00
	<u>12,100.00</u>	<u>-</u>	<u>10,050.00</u>	<u>2,050.00</u>
	<u>\$ 186,647.00</u>	<u>\$ 31,740.00</u>	<u>\$ 53,360.00</u>	<u>\$ 165,027.00</u>

The net effect of the amendments to the General Fund's expenses is a budget decrease in the amount of \$ 21,620.00.

**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

**Government-Wide Financial Analysis**

Governmental activities (continued)

**Budgetary Highlights**

The Fire Equipment Fund's revenue budget for the year ended March 31, 2008 was increased in the amount of \$ 9,561.00 as follows:

Description	Original Budget	Increase	Decrease	Final Budget
<b>Fire Equipment Fund</b>				
<b>Revenues</b>				
Taxes	\$ 92,736.00	\$ 4,664.00	\$ -	\$ 97,400.00
Blue Lake Residences	782.00	897.00		1,679.00
Interest Income	5,000.00	6,000.00		11,000.00
Other Income	5,000.00		2,000.00	3,000.00
	<u>\$ 103,518.00</u>	<u>\$ 11,561.00</u>	<u>\$ 2,000.00</u>	<u>\$ 113,079.00</u>

The Fire Operations Fund's original budget for revenues was amended by an increase in the amount of \$ 7,486.00. Expenditures in the amount of \$ 128,141.00, were increased by the amount of \$ 19,359.00, as detailed below, to the final budget amount of \$ 147,500.00.

Description	Original Budget	Increase	Decrease	Final Budget
<b>Fire Operations Fund</b>				
<b>Expenditures:</b>				
Fire Peoples Salaries	\$ 44,000.00	\$ 3,200.00	\$ -	\$ 47,200.00
Payroll Taxes	3,400.00	800.00		4,200.00
Supplies	8,466.00		3,466.00	5,000.00
Insurance	27,800.00		300.00	27,500.00
Association Dues	75.00	275.00		350.00
Education	4,000.00	5,050.00		9,050.00
Snow Removal	850.00	1,150.00		2,000.00
Communications	6,000.00	1,300.00		7,300.00
Fire Prevention	750.00	250.00		1,000.00
Heat	3,000.00	4,000.00		7,000.00
Electricity	2,800.00	900.00		3,700.00
Repairs and Maintenance	19,500.00	6,100.00		25,600.00
Truck Fuel	5,000.00	300.00		5,300.00
Fund Raising Expense	300.00		200.00	100.00
	<u>\$ 125,941.00</u>	<u>\$ 23,325.00</u>	<u>\$ 3,966.00</u>	<u>\$ 145,200.00</u>

**Blue Lake Township  
Management's Discussion and Analysis  
For the year ended March 31, 2008**

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**Government-Wide Financial Analysis**

Governmental activities (continued)

**Capital Assets**

Blue Lake Township's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$ 654,977.12, net of accumulated depreciation. This investment in capital assets includes land, buildings, building improvements, equipment, vehicles, and infrastructure. Additional information on the capital assets can be found in Note V, page 39, in the Notes to Financial Statements.

**Requests For Information**

This financial report is designed to provide a general overview of Blue Lake Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Blue Lake Township, attention: Clerk  
1491 Owasippe Road  
Twin Lake, Michigan, 49457



## **BASIC FINANCIAL STATEMENTS**

**Blue Lake Township**  
**Statement of Net Assets**  
**March 31, 2008**

	<u>Governmental Funds</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ 413,040.24	\$ -	\$ 413,040.24
Accounts Receivable	40,717.10		40,717.10
Taxes Receivable	27,925.64		27,925.64
Special Assessments Receivable	1,046.95		1,046.95
Land Contracts Receivable	53,758.99		53,758.99
Prepaid Expenses	92,255.35		92,255.35
<b>Total Current Assets</b>	<u>628,744.27</u>	<u>-</u>	<u>628,744.27</u>
<b>Non Current Assets</b>			
Depreciable Capital Assets - Net of Accumulated Depreciation	<u>654,977.12</u>		<u>654,977.12</u>
<b>Total Non Current Assets</b>	<u>654,977.12</u>	<u>-</u>	<u>654,977.12</u>
<b>Total Assets</b>	<u>\$ 1,283,721.39</u>	<u>\$ -</u>	<u>\$ 1,283,721.39</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 13,499.34	\$ -	\$ 13,499.34
Due To Other Governments	37,055.06		37,055.06
Deferred Revenue	102,930.03		102,930.03
Escrow Deposits	333.22		333.22
Accrued Expenses	3,320.21		3,320.21
<b>Total Current Liabilities</b>	<u>157,137.86</u>	<u>-</u>	<u>157,137.86</u>
<b>Long Term Liabilities</b>			
Non Current Portion - Long Term Liabilities	-	-	-
<b>Total Liabilities</b>	<u>157,137.86</u>	<u>-</u>	<u>157,137.86</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	654,977.12		654,977.12
Restricted For:			
Special Revenue Funds	381,548.98		381,548.98
Unrestricted	90,057.43		90,057.43
<b>Total Net Assets</b>	<u>\$ 1,126,583.53</u>	<u>\$ -</u>	<u>\$ 1,126,583.53</u>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Activities**  
**For the Fiscal Year Ended March 31, 2008**

	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Charges For		Operating		Grants	Government		Business
	Expenses	Services				Type Activities	Type Activities	
<b>Governmental Activities</b>								<b>Total</b>
Legislative	\$ 6,700.00	\$ -	\$ -	\$ -		(6,700.00)	\$ -	(6,700.00)
General Government	184,444.34	855.78				(183,588.56)		(183,588.56)
Public Safety	242,216.91	3,175.00				(239,041.91)		(239,041.91)
Public Works	22,928.79	60.00				(22,868.79)		(22,868.79)
Health and Welfare	44,189.57	23,079.00				(21,110.57)		(21,110.57)
Other	12,290.14					(12,290.14)		(12,290.14)
Undepreciated Capital Outlay	10,565.45					(10,565.45)		(10,565.45)
Unallocated Depreciation	4,844.07					(4,844.07)		(4,844.07)
<b>Total</b>	<b>\$ 528,179.27</b>	<b>\$ 27,169.78</b>	<b>\$ -</b>	<b>\$ -</b>		<b>(501,009.49)</b>		<b>(501,009.49)</b>
<b>General Purpose Revenues:</b>								
Property Taxes						311,090.62		311,090.62
Payments in Lieu of Taxes						2,512.15		2,512.15
Tax Penalties						2,236.75		2,236.75
Intergovernmental						140,301.82		140,301.82
Special Assessments						3,441.39		3,441.39
Investment Earnings						39,941.14		39,941.14
Other Income						8,891.09		8,891.09
Tax Reverted Land Sales - Net of Costs						2,210.73		2,210.73
<b>Total General Purpose Revenues</b>						<b>510,625.69</b>		<b>510,625.69</b>
<b>Excess (Deficiency) of Revenues Over Expenses</b>						<b>9,616.20</b>		<b>9,616.20</b>
<b>Net Assets - Beginning of Year</b>						<b>1,126,315.73</b>		<b>1,126,315.73</b>
Reduction in Net Assets						(9,348.40)		(9,348.40)
<b>Net Assets - Beginning of Year Restated</b>						<b>1,116,967.33</b>		<b>1,116,967.33</b>
<b>Net Assets - End of Year</b>						<b>\$ 1,126,583.53</b>	<b>\$ -</b>	<b>\$ 1,126,583.53</b>

See accompanying notes to the financial statements.

**Blue Lake Township  
Balance Sheet  
Governmental Funds  
March 31, 2008**

	General Fund	Fire Equipment Fund	Fire Operations Fund	P.T.A.F. Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash	\$ 202,669.85	\$ 201,272.45	\$ (38,843.66)	\$ 13,883.89	\$ 34,057.71	\$ 413,040.24
Accounts Receivable	40,717.10					40,717.10
Taxes Receivable		10,796.56	14,396.90	2,414.10	318.08	27,925.64
Assessments Receivable					1,046.95	1,046.95
Land Contracts Receivable	53,758.99					53,758.99
Due From Other Funds	64,835.33	92,645.66	119,000.24	22,278.15	1,723.37	300,482.75
Prepaid Expenses	77,004.35		15,251.00			92,255.35
<b>Total Assets</b>	<b>\$ 438,985.62</b>	<b>\$ 304,714.67</b>	<b>\$ 109,804.48</b>	<b>\$ 38,576.14</b>	<b>\$ 37,146.11</b>	<b>\$ 929,227.02</b>
<b>Liabilities</b>						
Accounts Payable	\$ 7,171.56	\$ 667.52	\$ 5,603.03	\$ 57.23	\$ -	\$ 13,499.34
Due To Other Governments	37,055.06					37,055.06
Due To Other Funds	3,131.68		1,488.00		618.70	5,238.38
Deferred Revenue	2,672.09	5,015.53	75,094.92	17,762.66	2,384.83	102,930.03
Escrow Deposits	333.22					333.22
Accrued Expenses	3,320.21					3,320.21
<b>Total Liabilities</b>	<b>\$ 53,683.82</b>	<b>\$ 5,683.05</b>	<b>\$ 82,185.95</b>	<b>\$ 17,819.89</b>	<b>\$ 3,003.53</b>	<b>\$ 162,376.24</b>
<b>Fund Balances</b>						
Unreserved:						
Undesignated, Reported In:						
General Fund	385,301.80					385,301.80
Special Revenue Funds		299,031.62	27,618.53	20,756.25	34,142.58	381,548.98
<b>Total Fund Balances</b>	<b>\$ 385,301.80</b>	<b>\$ 299,031.62</b>	<b>\$ 27,618.53</b>	<b>\$ 20,756.25</b>	<b>\$ 34,142.58</b>	<b>\$ 766,850.78</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 438,985.62</b>	<b>\$ 304,714.67</b>	<b>\$ 109,804.48</b>	<b>\$ 38,576.14</b>	<b>\$ 37,146.11</b>	<b>\$ 929,227.02</b>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**March 31, 2008**

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<b>Total Governmental Fund Balances</b>	\$ 766,850.78
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	654,977.12
Due To and From Other Funds are not Included in Statement of Net Assets and therefore require an adjustment to reconcile	(295,244.37)
	<hr/>
<b>Net Assets of Governmental Activities</b>	<b>\$ <u>1,126,583.53</u></b>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For The Fiscal Year Ended March 31, 2008**

	General Fund	Fire Equipment Fund	Fire Operations Fund	P. T. A. F. Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 55,688.28	\$ 98,488.07	\$ 131,304.35	\$ 24,022.02	\$ 1,607.90	\$ 311,090.62
Payments in Lieu of Taxes	946.31		1,565.84			2,512.15
Licenses, Permits and Fees	23,934.78					23,934.78
Tax Penalties	2,236.75					2,236.75
Special Assessments					3,441.39	3,441.39
Earnings on Investments	19,102.80	14,627.63	2,522.66	1,175.55	2,512.50	39,941.14
Intergovernmental Revenue	137,218.00				3,083.82	140,301.82
Other Income	7,025.25	4,174.38	475.00	391.46	60.00	12,126.09
<b>Total Revenues</b>	<b>246,152.17</b>	<b>117,270.08</b>	<b>135,867.85</b>	<b>25,589.03</b>	<b>10,705.61</b>	<b>535,584.74</b>
<b>Expenditures</b>						
Legislative	6,700.00					6,700.00
General Government	174,369.70					174,369.70
Public Safety	31,258.50		146,700.57		126.09	178,085.16
Public Works	19,546.64				2,630.06	22,176.70
Health and Welfare	24,889.72			18,436.12		43,325.84
Other	12,290.14					12,290.14
Capital Outlay	52,353.58	65,843.61				118,197.19
	<b>321,408.28</b>	<b>65,843.61</b>	<b>146,700.57</b>	<b>18,436.12</b>	<b>2,756.15</b>	<b>555,144.73</b>
<b>Excess Revenue Over (Under)</b>	<b>(75,256.11)</b>	<b>51,426.47</b>	<b>(10,832.72)</b>	<b>7,152.91</b>	<b>7,949.46</b>	<b>(19,559.99)</b>
<b>Other Financing Sources (Uses)</b>						
Tax Reverted Land Sales	22,639.36	729.54	994.83			24,563.73
Tax Reverted Land Sales Expense	(22,353.00)					(22,353.00)
Transfers In/(Out)	(2,000.00)				2,000.00	-
	<b>(1,513.64)</b>	<b>729.54</b>	<b>994.83</b>	<b>-</b>	<b>2,000.00</b>	<b>2,210.73</b>
<b>Net Change in Fund Balances</b>	<b>(76,769.75)</b>	<b>52,156.01</b>	<b>(9,837.89)</b>	<b>7,152.91</b>	<b>9,949.46</b>	<b>(17,349.26)</b>
<b>Fund Balances - March 31, 2007</b>	<b>462,071.55</b>	<b>246,875.61</b>	<b>37,456.42</b>	<b>13,603.34</b>	<b>24,193.12</b>	<b>784,200.04</b>
<b>Fund Balances - March 31, 2008</b>	<b>\$ 385,301.80</b>	<b>\$ 299,031.62</b>	<b>\$ 27,618.53</b>	<b>\$ 20,756.25</b>	<b>\$ 34,142.58</b>	<b>\$ 766,850.78</b>

See accompanying notes to the financial statements.

**Blue Lake Township**  
**Reconciliation of the Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended March 31, 2008**

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Net Change in Fund Balances - Total Governmental Funds	\$	(17,349.26)
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***Amounts reported for governmental activities in the statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$	107,631.74	
Current Year Depreciation		(80,666.28)	
Total			26,965.46

Reduction in Net Assets for Disposition of Assets and Prior period adjustments.		(9,348.40)
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Change in Net Assets of Governmental Activities	\$	<u>267.80</u>
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**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - General Fund**  
**For The Year Ended March 31, 2008**

	Budget		Actual	Favorable (Unfavorable) Variance
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 64,324.00	\$ 68,187.00	55,688.28	(12,498.72)
Payments in Lieu of Taxes			946.31	946.31
Revenue Sharing	136,382.00	136,382.00	137,218.00	836.00
Tax Penalties	1,000.00	2,173.00	2,236.75	63.75
Blue Lake Residences	400.00	1,119.00	782.92	(336.08)
Licenses, Permits and Fees				
Building Permits	20,000.00	12,500.00	12,585.00	85.00
Cable Franchise Fees	400.00	850.00	855.78	5.78
Ordinance Violation Fees	200.00		-	-
Zoning Permit Fees	5,000.00	1,800.00	1,850.00	50.00
Land Split Fees	400.00	120.00	120.00	-
Electric Permits	4,400.00	2,600.00	2,804.00	204.00
Mechanical Permits	3,000.00	3,200.00	3,725.00	525.00
Plumbing Permits	3,000.00	2,000.00	1,995.00	(5.00)
Tower Lease Income		600.00	1,500.00	900.00
Interest Income	18,000.00	19,000.00	19,102.80	102.80
Other Income	1,370.00	860.00	4,742.33	3,882.33
<b>Total Revenues</b>	<b>\$ 257,876.00</b>	<b>\$ 251,391.00</b>	<b>246,152.17</b>	<b>(5,238.83)</b>

*See accompanying notes to the financial statements.*



**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - General Fund**  
**For The Year Ended March 31, 2008**

	Budget			Favorable (Unfavorable) Variance
	Original	Final	Actual	
<b>Expenditures</b>				
<b>Legislative:</b>				
Township Board				
Trustee Salaries	\$ 5,200.00	\$ 6,800.00	\$ 6,700.00	\$ 100.00
<b>Total Legislative</b>	<b>5,200.00</b>	<b>6,800.00</b>	<b>6,700.00</b>	<b>100.00</b>
<b>General Government:</b>				
Supervisor Salary	18,864.00	18,864.00	18,864.00	-
Clerk Salary	16,824.00	16,824.00	16,824.00	-
Deputy Clerk	2,200.00	3,400.00	3,499.35	(99.35)
Treasurer Salary	22,824.00	22,824.00	22,824.00	-
Deputy Treasurer Salary	600.00	600.00	538.66	61.34
Elections	1,945.00	70.00	67.50	2.50
Board of Review	1,890.00	2,250.00	2,205.00	45.00
CBA and ZBA Salaries	-	1,400.00	1,368.00	32.00
Payroll Taxes	9,652.00	9,800.00	9,726.60	73.40
Health Care	-	900.00	826.87	73.13
Travel				
Supervisor Travel	3,000.00	3,700.00	3,391.15	308.85
Clerk Travel	850.00	800.00	679.86	120.14
Treasurer Travel	1,100.00	1,400.00	1,340.80	59.20
Legal Expense	30,000.00	25,000.00	23,564.73	1,435.27
CAC Legal Defense	8,000.00	-		
Harris Legal Expense	-	10,700.00	10,739.50	(39.50)
Audit Expense	5,800.00	5,800.00	5,800.00	-
Fire Department Investigation	-	2,622.00	1,134.00	1,488.00
Insurance	14,000.00	14,000.00	13,060.20	939.80
Education	11,000.00	6,000.00	5,116.69	883.31
Computer Service	4,000.00	3,000.00	2,313.94	686.06

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - General Fund**  
**For The Year Ended March 31, 2008**

	<b>Budget</b>		<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Utilities</b>				
Janitor Services	1,000.00	1,000.00	945.00	55.00
Snow Removal	1,000.00	3,000.00	2,010.00	990.00
Heat	5,000.00	4,300.00	3,775.02	524.98
Electricity	1,400.00	1,800.00	1,966.79	(166.79)
<b>Repairs and Maintenance</b>				
Parking Lot Maintenance	\$ 1,000.00	\$ -	\$ -	\$ -
Building Maintenance	5,000.00	3,500.00	3,105.79	394.21
Police Equipment Maintenance	200.00	200.00	133.51	66.49
Vehicle Maintenance	300.00	350.00	292.95	57.05
Radio Repairs	100.00	250.00	202.50	47.50
Equipment Maintenance	1,000.00	150.00	127.06	22.94
<b>Supplies and Postage</b>				
Postage	5,000.00	5,000.00	4,528.51	471.49
Supplies Expense	8,050.00	7,065.00	6,140.97	924.03
<b>Communications and Publishing</b>				
Publishing	4,000.00	3,000.00	1,983.62	1,016.38
Communications	3,000.00	3,500.00	3,006.99	493.01
Equipment Lease Expense	2,100.00	2,200.00	2,266.14	(66.14)
Internet Service	2,000.00	500.00	-	500.00
<b>Total General Government</b>	<b>192,699.00</b>	<b>185,769.00</b>	<b>174,369.70</b>	<b>11,399.30</b>
<b>Public Safety:</b>				
Police Salary	8,820.00	8,820.00	8,820.00	-
Planning Commission Salaries	15,000.00	15,000.00	15,048.00	(48.00)
Planning Commission Expense	1,000.00	800.00	373.69	426.31
Ordinance Enforcement Salary	5,040.00	6,100.00	6,070.00	30.00
Ordinance Enforcement Travel	1,000.00	1,000.00	946.81	53.19
<b>Total Public Safety</b>	<b>30,860.00</b>	<b>31,720.00</b>	<b>31,258.50</b>	<b>461.50</b>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - General Fund**  
**For The Year Ended March 31, 2008**

	<b>Budget</b>		<b>Actual</b>	<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Public Works:</b>				
Dust Control	\$ 12,000.00	\$ 6,400.00	\$ 6,263.97	\$ 136.03
Dangerous Buildings	5,000.00	13,100.00	13,129.28	(29.28)
Street Signs	500.00	300.00	153.39	146.61
<b>Total Public Works</b>	<b>17,500.00</b>	<b>19,800.00</b>	<b>19,546.64</b>	<b>253.36</b>
<b>Health and Welfare:</b>				
Building Inspection Salary	14,400.00	11,000.00	10,804.00	196.00
Building Inspector Travel	1,900.00	1,200.00	1,188.75	11.25
Zoning Administrator Salary	5,040.00	5,040.00	5,040.00	-
Zoning Administrator Travel	1,800.00	600.00	450.43	149.57
Inspectors				
Electrical Inspector	3,520.00	2,100.00	2,180.00	(80.00)
Mechanical Inspector	1,600.00	2,700.00	2,883.20	(183.20)
Plumbing Inspector	2,400.00	1,600.00	1,480.00	120.00
Inspectors Travel	1,000.00	900.00	863.34	36.66
<b>Total Health and Welfare</b>	<b>31,660.00</b>	<b>25,140.00</b>	<b>24,889.72</b>	<b>250.28</b>
<b>Other:</b>				
Mapping Project	200.00	200.00	200.00	-
Land Split Costs	400.00	120.00	120.00	-
Association Dues	3,000.00	3,000.00	2,750.87	249.13
Pride Week	9,000.00	7,400.00	7,384.16	15.84
Special Studies	500.00	500.00	500.00	-
Bank Service Charges	-	900.00	1,104.03	(204.03)
Other Expenses	350.00	350.00	231.08	118.92
<b>Total Other</b>	<b>13,450.00</b>	<b>12,470.00</b>	<b>12,290.14</b>	<b>179.86</b>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - General Fund**  
**For The Year Ended March 31, 2008**

	<b>Budget</b>			<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Capital Outlay:</b>				
Capital Outlay	\$ 2,000.00	\$ 100.00	\$ 52,353.58	\$ (52,253.58)
<b>Total Capital Outlay</b>	<u>2,000.00</u>	<u>100.00</u>	<u>52,353.58</u>	<u>(52,253.58)</u>
<b>Total Expenditures</b>	<u>293,369.00</u>	<u>281,799.00</u>	<u>321,408.28</u>	<u>(39,609.28)</u>
<b>Excess Revenues Over (Under) Expenditures</b>	(35,493.00)	(30,408.00)	(75,256.11)	(44,848.11)
<b>Total Other Financing Sources (Uses)</b>				
Tax Reverted Land Sales	500.00	268.00	22,839.36	22,571.36
Tax Reverted Land Sales Expense	100.00	50.00	22,353.00	(22,303.00)
	<u>400.00</u>	<u>218.00</u>	<u>486.36</u>	<u>268.36</u>
<b>Transfers</b>				
Transfers To Other Funds	12,000.00	2,000.00	2,000.00	-
<b>Total Other Financing Sources (Use)</b>	<u>(11,600.00)</u>	<u>(1,782.00)</u>	<u>(1,513.64)</u>	<u>268.36</u>
<b>Excess Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>	(47,093.00)	(32,190.00)	(76,769.75)	(44,579.75)
<b>Fund Balance - March 31, 2007</b>	<u>462,071.55</u>	<u>462,071.55</u>	<u>462,071.55</u>	<u>-</u>
<b>Fund Balance - March 31, 2008</b>	<u>\$ 414,978.55</u>	<u>\$ 429,881.55</u>	<u>\$ 385,301.80</u>	<u>\$ (44,579.75)</u>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - Fire Equipment Fund**  
**For the Year Ended March 31, 2008**

	<b>Budget</b>			<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 92,736.00	\$ 97,400.00	\$ 98,468.07	\$ 1,068.07
Blue Lake Residences	782.00	1,679.00	1,174.38	(504.62)
Interest Income	5,000.00	11,000.00	14,627.63	3,627.63
Other Revenue	5,000.00	3,000.00	3,000.00	-
<b>Total Revenues</b>	<u>103,518.00</u>	<u>113,079.00</u>	<u>117,270.08</u>	<u>4,191.08</u>
<b>Expenditures</b>				
Vehicle Purchases	50,000.00	50,000.00	48,031.15	1,968.85
Equipment Purchases	20,000.00	20,000.00	17,812.46	2,187.54
<b>Total Expenditures</b>	<u>70,000.00</u>	<u>70,000.00</u>	<u>65,843.61</u>	<u>4,156.39</u>
<b>Excess Revenues Over (Under) Expenditures</b>	33,518.00	43,079.00	51,426.47	8,347.47
<b>Other Financing Sources (Uses)</b>				
Tax Reverted Land Sales	350.00	400.00	729.54	329.54
	<u>350.00</u>	<u>400.00</u>	<u>729.54</u>	<u>329.54</u>
<b>Excess Revenues Over (Under) Expenditures and Other Sources and Uses</b>	33,868.00	43,479.00	52,156.01	8,677.01
<b>Fund Balance, April 1, 2007</b>	<u>246,875.61</u>	<u>246,875.61</u>	<u>246,875.61</u>	<u>-</u>
<b>Fund Balance, March 31, 2008</b>	<u>\$ 280,743.61</u>	<u>\$ 290,354.61</u>	<u>\$ 299,031.62</u>	<u>\$ 8,677.01</u>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - Fire Operations Fund**  
**For the Year Ended March 31, 2008**

	<b>Budget</b>			<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 123,660.00	\$ 129,900.00	\$ 131,304.35	\$ 1,404.35
Payments in Lieu of Taxes	1,043.00	2,239.00	1,565.84	(673.16)
Licenses, Permits and Fees	2,500.00			
Interest Income	200.00	2,800.00	2,522.66	(277.34)
Fund Raisers Income	400.00	200.00	200.00	-
Other Revenue		150.00	275.00	125.00
<b>Total Revenues</b>	<b>127,803.00</b>	<b>135,289.00</b>	<b>135,867.85</b>	<b>578.85</b>
<b>Expenditures</b>				
Fire People's Salaries	44,000.00	47,200.00	46,718.45	481.55
Payroll Taxes	3,400.00	4,200.00	3,929.01	270.99
Fire People Travel	1,200.00	1,200.00	613.53	586.47
Supplies	8,466.00	5,000.00	3,602.46	1,397.54
Insurance	27,800.00	27,500.00	32,214.00	(4,714.00)
Association Dues	75.00	350.00	330.00	20.00
Education	4,000.00	9,000.00	8,875.06	124.94
Snow Removal	850.00	2,000.00	1,205.00	795.00
Communications	6,000.00	7,300.00	6,394.26	905.74
Fire Prevention	750.00	1,000.00	908.78	91.22
Heat	3,000.00	7,000.00	6,316.74	683.26
Electricity	2,800.00	3,700.00	3,648.50	51.50
Building Maintenance	5,000.00	9,500.00	9,744.03	(244.03)
Vehicle Maintenance	9,000.00	10,000.00	11,109.36	(1,109.36)
Radio Maintenance	1,500.00	1,500.00	891.32	608.68
Truck Fuel	5,000.00	5,300.00	4,773.59	526.41
Equipment Maintenance	4,000.00	4,600.00	4,629.98	(29.98)
Health Care	1,000.00	1,000.00	746.50	253.50
Fire Instructions Costs	-	50.00	50.00	-
Fund Raising Expenses	300.00	100.00	-	100.00
	<b>128,141.00</b>	<b>147,500.00</b>	<b>146,700.57</b>	<b>799.43</b>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - Fire Operations Fund**  
**For the Year Ended March 31, 2008**

	<b>Budget</b>			<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Excess Revenues Over (Under) Expenditures</b>	<b>\$ (338.00)</b>	<b>\$ (12,211.00)</b>	<b>\$ (10,832.72)</b>	<b>1,378.28</b>
<b>Other Financing Sources</b>				
Tax Reverted Land Sales	520.00	540.00	994.83	454.83
	<u>520.00</u>	<u>540.00</u>	<u>994.83</u>	<u>454.83</u>
<b>Excess Revenues Over (Under) Expenditures and Other Sources and Uses</b>	182.00	(11,671.00)	(9,837.89)	1,833.11
<b>Fund Balance, April 1, 2007</b>	<u>37,456.42</u>	<u>37,456.42</u>	<u>37,456.42</u>	<u>-</u>
<b>Fund Balance, March 31, 2008</b>	<u><u>\$ 37,638.42</u></u>	<u><u>\$ 25,785.42</u></u>	<u><u>\$ 27,618.53</u></u>	<u><u>\$ 1,833.11</u></u>

*See accompanying notes to the financial statements.*

**Blue Lake Township**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Actual and Budget - P.T.A.F. Fund**  
**For the Year Ended March 31, 2008**

	<b>Budget</b>			<b>Favorable (Unfavorable) Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Taxes	\$ 22,234.00	\$ 23,350.00	\$ 24,022.02	\$ 672.02
Blue Lake Residences	-	559.00	391.46	(167.54)
Interest Income	150.00	900.00	1,175.55	275.55
<b>Total Revenues</b>	<u>22,384.00</u>	<u>24,809.00</u>	<u>25,589.03</u>	<u>780.03</u>
<b>Expenditures</b>				
Assessor Salary	16,884.00	16,884.00	16,884.00	-
Payroll Taxes	1,292.00	1,292.00	1,294.62	(2.62)
Assessor Travel	600.00	400.00	257.50	142.50
Association Dues	75.00	75.00	-	75.00
<b>Total Expenditures</b>	<u>18,851.00</u>	<u>18,651.00</u>	<u>18,436.12</u>	<u>214.88</u>
<b>Excess Revenues Over (Under) Expenditures</b>	3,533.00	6,158.00	7,152.91	994.91
<b>Other Financing Sources (Uses)</b>				
Tax Reverted Land Sales	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess Revenues Over (Under) Expenditures and Other Sources and Uses</b>	3,533.00	6,158.00	7,152.91	994.91
<b>Fund Balance, April 1, 2007</b>	<u>13,603.34</u>	<u>13,603.34</u>	<u>13,603.34</u>	<u>-</u>
<b>Fund Balance, March 31, 2008</b>	<u>\$ 17,136.34</u>	<u>\$ 19,761.34</u>	<u>\$ 20,756.25</u>	<u>\$ 994.91</u>

*See accompanying notes to the financial statements.*



**Blue Lake Township**  
**Statement of Fiduciary Net Assets**  
**March 31, 2008**

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<b>Agency Funds</b>	
	<u><b>Tax Collections</b></u>
<b>Assets</b>	
Cash	\$ 295,244.37
<b>Total Assets</b>	<u>\$ 295,244.37</u>
<b>Liabilities</b>	
Due To Other Funds	\$ 295,244.37
<b>Total Liabilities</b>	<u>\$ 295,244.37</u>

*See accompanying notes to the financial statements.*

## NOTES TO FINANCIAL STATEMENTS

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

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The accounting policies of Blue Lake Township, County of Muskegon, State of Michigan conform to generally accepted accounting principles as applicable to governmental units.

**A. Reporting Entity**

This report includes all the funds of Blue Lake Township. The Township is a general law township governed by a five member board elected by the citizens of the Township. The board consists of the supervisor, clerk, treasurer, and two trustees, all of whom reside in the community. The Township is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether financial statements would be misleading, if data were not included.

Accordingly, these financial statements present the Township as the primary government and there are no component units. The Township's board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

**B. Government-Wide and Fund Financial Statements**

**Government -wide Financial Statements**

The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting unit except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The township does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges paid by the recipient of the goods or services offered by the program; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not included among program revenues are reported as general revenues of the Township, with certain limited exceptions.

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

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**B. Government-Wide and Fund Financial Statements**

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**Fund Financial Statements**

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
3. In addition, any other governmental or proprietary fund that the Township believes is particularly important to financial statement users may be reported as a major fund.

The Township reports the following major governmental funds:

General Fund - accounts for the Township's primary operating activities. It is used to account for all financial resources except those required to accounted for in another fund.

Fire Equipment Fund - accounts for specific revenues that are legally restricted for the acquisition of equipment used in fire department operations.

Fire Operations Fund - accounts for specific revenues that are legally restricted for the operations of the Township's fire department.

Property Tax Administration Fund (P.T.A.F. Fund) - accounts for administrative fees collected to administer the tax rolls, including establishing and maintaining property classifications and assessments, and the revenues so collected are restricted to that purpose.

**Blue Lake Township  
Notes to Financial Statements  
March 31, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

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**B. Government-Wide and Fund Financial Statements (continued)**

Fund Financial Statements (continued):

The Township reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes:

- Liquor Fund
- Street Lights Fund
- Cemetery Fund
- Automobile Road Special assessment Fund
- Metro Act Fund
- Brown's Pond Special Assessment Fund

Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The Township operates the following agency fund: Tax Collection Fund

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government -wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special Assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenue when services are provided. The effect of interfund activity has been eliminated from the government wide financial statements.

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

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**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Fund Financial Statements**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures (if any), which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period in which the Township is entitled to the resources and the amounts are available. Amounts owed to the Township which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recognized as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The Township reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the Township has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Township has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as described previously in this note.

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note I - Summary of Significant Accounting Policies**

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**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**Fund Financial Statements (continued)**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**D. Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit. The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize Blue Lake Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by the United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state approved investment pools and certain mutual funds.

Blue Lake Township considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Township's deposits and investments may not be invested in financial institutions located in states other than the State of Michigan.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Land Contracts Receivable**

Blue Lake Township has sold tax reverted land located in the Township on land contracts. As of March 31, 2008, the balance due to the Township on the land contracts is in the amount of \$ 53,758.99. The proceeds from land contracts is distributed to the various taxing units based on the current millage rates. Based on prior distributions, the Township's share is approximately 5.2 percent.

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note 1 - Summary of Significant Accounting Policies**

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**D. Assets, Liabilities, and Net Assets or Equity**

Capital Assets

Government-wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$ 500.00 for general capital assets and for infrastructure assets, with an estimated useful life in excess of 2 years for general capital assets and 15 years for infrastructure assets. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10 - 50	years
Fire Department Equipment	5 - 15	
Roads	15 - 50	
Vehicles	5 - 20	
Office Furniture/Equipment	5 - 20	

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.



**Blue Lake Township  
Notes to Financial Statements  
March 31, 2008**

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**Note I - Summary of Significant Accounting Policies**

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**D. Assets, Liabilities, and Net Assets or Equity**

Equity Classifications

Government - Wide Statements

Equity is classified as net assets and displayed in three components:

Invested in Capital Assets, Net of Related Debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets - consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

**Note II - Stewardship, Compliance, and Accountability**

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**Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

A budget has been adopted for all governmental funds of the Township. The budgeted amounts include any amendments made. The Township's board of trustees may authorize transfers of budgeted amounts within departments. Transfers between functions and changes to the overall budget are approved by board motions. Appropriations lapse at year end. Governmental funds of the Township are adopted at the functional level of expenditure. The budgetary comparison statement of the major governmental funds is shown as part of the basic financial statements.

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note III - Deposits and Investments**

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As of March 31, 2008, Blue Lake Township's deposits were reported in the basic financial statements as follows:

<u>Description</u>	<u>Bank Balance</u>	<u>Carrying Balance</u>
<b>Governmental Activities:</b>		
Checking	\$ 10,124.89	\$ 9,040.24
Sweep Investment	104,000.00	104,000.00
Certificates of Deposit	300,000.00	300,000.00
	<u>414,124.89</u>	<u>413,040.24</u>
<b>Fiduciary Fund:</b>		
Checking	694.24	(5,755.63)
Sweep Investment	301,000.00	301,000.00
	<u>301,694.24</u>	<u>295,244.37</u>
<b>Total Deposits</b>	<b>\$ <u>715,819.13</u></b>	<b>\$ <u>708,284.61</u></b>

Custodial risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, the Township's bank balances were exposed to custodial risk in the amount of \$ 415,819.13, because they were uninsured and uncollateralized.

Blue Lake Township's investment policy does not address concentration of credit risk, interest rate risk, or foreign currency risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township's investment in a single issuer. The risk is minimized by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township had no investments at March 31, 2008 subject to such risks.

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note IV - Interfund Receivables and payables**

Interfund receivables and payables (referred to as Due From and Due To Other Funds) as of March 31, 2008 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 64,835.33	\$ 3,131.68
Fire Equipment Fund	92,645.66	
Fire Operations Fund	119,000.24	1,488.00
Property Tax Administration Fund	22,278.15	
Liquor Law Fund	0.95	
Street Lights Fund	1,319.27	
Winter Tax Collections Fund		295,244.37
Cemetery Fund	81.64	
Automobile Road Special Assessment Fund		618.70
Metro Act Fund	160.86	
Brown's Pond Special Assessment Fund	160.65	
Totals	\$ <u>300,482.75</u>	\$ <u>300,482.75</u>

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

**Note V - Capital Assets**

Capital asset activity in the governmental activities for the year ended March 31, 2008 is as follows:

	Balance 3/31/2007	Additions	Deletions	Balance 3/31/2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 3,323.00	\$ -	\$ -	\$ 3,323.00
Total Capital Assets Not Being Depreciated	3,323.00	-	-	3,323.00
Capital Assets Being Depreciated				
Buildings	312,044.56	34,344.87		346,389.43
Fire Department Equipment	70,300.99	55,318.87	10,803.00	815,016.86
Roads	88,756.42			88,756.42
Vehicles - Police	5,789.00		3,875.00	1,914.00
Office Furniture and Equipment	39,174.64	17,968.00		57,142.64
Cemetery Fund Equipment	4,521.98			4,521.98
Total Capital Assets Being Depreciated	1,220,587.59	107,631.74	14,478.00	1,313,741.33
<b>Total Cost of Capital Assets</b>	1,223,910.59	107,631.74	14,478.00	1,317,064.33
Accumulated Depreciation				
Buildings	(147,904.94)	(10,661.06)		(158,566.00)
Fire Department Equipment	(381,928.27)	(57,402.25)	(3,976.11)	(435,354.41)
Roads	(31,182.15)	(4,844.07)		(36,026.22)
Vehicles - Police	(1,961.82)	47.82		(1,914.00)
Office Furniture and Equipment	(21,781.21)	(7,054.63)		(28,835.84)
Cemetery Fund Equipment	(638.65)	(752.09)		(1,390.74)
<b>Total Accumulated Depreciation</b>	(585,397.04)	(80,666.28)	(3,976.11)	(662,087.21)
<b>Capital Assets Net of Depreciation</b>	\$ 638,513.55	\$ 26,965.46	\$ 10,501.89	\$ 654,977.12

**Blue Lake Township**  
**Notes to Financial Statements**  
**March 31, 2008**

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**Note V - Capital Assets**

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Depreciation expense for the year ended March 31, 2008 is charged to governmental activities as follows:

<u>Description</u>	<u>Amount</u>
General Government	\$ 10,074.64
Public Safety	64,131.75
Public Works	752.09
Health and Welfare	863.73
Unallocated	4,844.07
Total	\$ <u>80,666.28</u>

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**Note V I- Risk Assessment**

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Blue Lake Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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**Note VII - Litigation**

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Blue Lake Township follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. Legal proceedings are often subject to numerous uncertainties and it is not possible to predict the outcome of individual cases.

The Township is involved in litigation involving rezoning of property situated within the Township. According to legal counsel, the Township is vigorously defending itself in this matter, and expects a favorable outcome. Therefore, in accordance with the criteria for accrual under GASB Section C50 and SFAS 5, no amount is accrued in these financial statements.

**Blue Lake Township  
Notes to Financial Statements  
March 31, 2008**

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**Note VIII - Component Unit**

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GASB 39 states that an organization that is a legally separate, tax-exempt entity meeting **all** of the following criteria should be discretely presented as a component unit in the financial statements of the primary government (i.e., Blue Lake Township):

- 1) The economic resources received or held by the tax exempt entity are entirely for the direct benefit of the primary government.
- 2) The primary government is entitled to or has the ability to otherwise access a majority of the economic resources of the tax exempt entity.
- 3) The economic resources received or held by the tax exempt entity that the primary government is entitled to, or otherwise has access to, are significant to that primary government.

The Blue Lake Township Legal Defense Fund is a tax exempt entity controlled solely by Blue Lake Township elected officials and meets the criteria of GASB 39, as described above, for recognition as a component unit of Blue Lake Township. Consequently, the financial statement data of the Blue Lake Township Legal Defense Fund is required by U.S. generally accepted accounting principles to be discretely presented in the Township's primary financial statements. The Township has elected to omit the Blue Lake Township Legal Defense Fund's financial statements from its primary financial statements. Such omission requires the audit report to be qualified with respect to the component unit described herein.

**NONMAJOR FUNDS - COMBINING FINANCIAL STATEMENTS**

**Blue Lake Township**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**As of March 31, 2008**

	Special Revenue Funds					
	Liquor Law	Street Lights	Cemetery	Automobile Road	Metro Act	Brown's Pond
<b>Assets</b>						<b>Total</b>
Cash in Bank	\$ 55.75	\$ 2,663.92	\$ 6,314.18	\$ -	\$ 12,441.05	\$ 12,582.81
Delinquent Taxes Receivable		318.08				318.08
Special Assessments Receivable				618.70		428.25
Due From Other Funds	0.95	1,319.27	81.64		160.86	160.65
Total Assets	\$ 56.70	\$ 4,301.27	\$ 6,395.82	\$ 618.70	\$ 12,601.91	\$ 13,171.71
						\$ 37,146.11
<b>Liabilities and Fund Equity</b>						
<b>Liabilities</b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due To Other Funds				618.70		618.70
Deferred Revenue		1,956.58				2,384.83
Total Liabilities	-	1,956.58	-	618.70	-	428.25
						3,003.53
<b>Fund Equity</b>						
Fund Balance	56.70	2,344.69	6,395.82	-	12,601.91	12,743.46
Total Fund Equity	56.70	2,344.69	6,395.82	-	12,601.91	12,743.46
Total Liabilities and Fund Equity	\$ 56.70	\$ 4,301.27	\$ 6,395.82	\$ 618.70	\$ 12,601.91	\$ 13,171.71
						\$ 37,146.11



**Blue Lake Township**  
**Combining Statement of Revenue, Expenditures**  
**and Changes in Fund Balance - Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2008**

	Special Revenue Funds					Totals
	Liquor Law	Street Lights	Cemetery	Metro Act	Brown's Pond	
<b>Revenues</b>						
Property Taxes	\$ -	\$ 1,607.90	\$ -	\$ -	\$ -	\$ 1,607.90
Special Assessments					3,441.39	3,441.39
Earnings on Investments	4.92	318.50	328.27	660.18	1,200.63	2,512.50
Intergovernmental Revenue	137.50			2,946.32		3,083.82
Other Income			60.00			60.00
	142.42	1,926.40	388.27	3,606.50	4,642.02	10,705.61
<b>Expenditures</b>						
Public Safety	126.09					126.09
Public Works		1,803.94	263.62		562.50	2,630.06
	126.09	1,803.94	263.62	-	562.50	2,756.15
<b>Excess Revenues Over (Under) Expenditures</b>	16.33	122.46	124.65	3,606.50	4,079.52	7,949.46
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	2,000.00	-	-	2,000.00
	-	-	2,000.00	-	-	2,000.00
<b>Net Change in Fund Balances</b>	16.33	122.46	2,124.65	3,606.50	4,079.52	9,949.46
<b>Fund Balances - March 31, 2007</b>	40.37	2,222.23	4,271.17	8,995.41	8,663.94	24,193.12
<b>Fund Balances - March 31, 2008</b>	\$ 56.70	\$ 2,344.69	\$ 6,395.82	\$ 12,601.91	\$ 12,743.46	\$ 34,142.58



# ***Zwick & Steinberger, P.L.L.C.***

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July 7, 2008

To the Board of Trustees  
Blue Lake Township  
1491 Owassipe Road  
Twin Lake, Michigan 49457

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Blue Lake Township, County of Muskegon, State of Michigan (The Township) as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 7, 2008. We did not audit the financial statements of the following component unit: Blue Lake Township Legal Defense Fund.

In planning and performing our audit of the aforementioned financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. We have not considered internal control since the date of our report.

During our audit we noted certain matters involving internal control and operational matters that are presented for your consideration, and are intended to improve internal control or result in other operating efficiencies.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not reveal all weaknesses in policies or procedures that may exist. We believe our comments and recommendations will be useful in improving the efficiency and effectiveness of the Township's internal control and operations.

This report is intended solely for the information and use of the Township's management and trustees and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which upon its issuance, becomes a matter of public record.

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To the Board of Trustees  
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**Observation**

Our overall evaluation indicated that the present systems in place are adequate for providing controls over the Township's activities. The controls in place allow for the proper recording and reporting of all transactions. The Township's personnel are proficient in carrying out their responsibilities and professional in how they conduct themselves.

There were no disagreements with management concerning financial accounting, reporting or auditing matters that could be significant to the financial statements.

Segregation of duties is a key element of internal control because it reduces the risks of mistakes and inappropriate actions. Maintaining segregation of duties is especially challenging in entities having a small number of employees. As is the case with most small entities, the issue of segregation of duties in internal control exists with the Township. The following functions should be separated among employees: approval, accounting/reconciliation, and asset custody. When such duties cannot be separated, more reliance must be placed on administrative oversight. Administrative review of activities involving these functions is required as a compensating internal control.

**Recommendation**

We recommend the Township review its internal control policies and procedures for the purpose of establishing and maintaining, to the extent possible, segregation of duties in its internal control. Where such segregation of duties does not exist, we recommend the Township implement administrative oversight and review of those internal control activities.

**Observation**

As part of our audit, we perform a fraud risk assessment by means of observation, inspection, interviews with management personnel, as well as prior knowledge and experience with the Township, its personnel and its activities. We found no issues with respect to fraud; however, we believe the Township should consider strengthening its internal control in this area.

**Recommendation**

We recommend the Township adopt a formal fraud policy. Such a policy will facilitate the development of controls which aid in the detection and prevention of fraud against the Township, and it will promote consistent behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

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To the Board of Trustees  
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**Observation**

The Blue Lake Township Legal Defense Fund was established during the year ended March 31, 2008 as a component unit of the Township. Our audit opinion was qualified due to the financial data of the fund being unavailable and therefore not subject to our auditing procedures or to our evaluation of internal control over the fund's financial accounting and reporting.

**Recommendation**

We recommend the component unit's financial data be included in our audit of the Township so that it can be subject to our evaluation of its internal control and our auditing procedures. The inclusion of the component unit and its financial data in the audit will provide transparency and integrity with respect to the fund's activities.

*Zwick & Steinberger, P.L.L.C.*